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July 31, 2000

REPORT TO THE HONORABLE
MAYOR AND CITY COUNCIL

CITY OF SAN DIEGO v. GROUP DELTA CONSULTANTS, INC., ET AL.
SAN DIEGO SUPERIOR COURT NO. GIC 730944

In March 1995, heavy rains caused a sinkhole to open in the backyard of two residences on Genoa Drive. A City storm drain was visible at the bottom of the sinkhole. As a result of the sinkhole, a significant land failure occurred placing four homes in jeopardy. The City purchased the four jeopardized homes. The goal was to stabilize the hillside and eventually sell the homes. After purchasing the homes, the City contracted with Group Delta Consultants [Group Delta], an engineering firm, to design the repair. After the design was completed, the City hired the J. C. Baldwin Construction Company [Baldwin] to construct the hillside repair. Baldwin completed construction in November 1997.

Unfortunately, in February 1998, the hillside repair failed and caused a landslide. A large volume of dirt damaged the rear walls of the two City-owned homes at the bottom of the landslide. The City was forced to repair the hillside and demolish those two homes.

In November 1998, you authorized the City Attorney's Office and outside counsel to pursue litigation against Group Delta and Baldwin. On June 6, 2000, you approved the City Attorney's recommendation that the case proceed to trial unless Group Delta and Baldwin offered the City in excess of \$750,000 to settle the litigation. Prior to trial, the City accepted Baldwin's offer to pay \$185,000 for Baldwin's contribution to the failed hillside repair.

The trial against Group Delta began on June 19, 2000. After eight days of trial and presentation of the City's evidence, the Honorable Jay Bloom requested that the City and Group Delta attempt to settle the case. After several hours of negotiations, Group Delta agreed to pay the City \$600,000 for Group Delta's contribution to the failed repair and subsequent damages. The City received a total of \$785,000 in damages from Group Delta and Baldwin.

Honorable Mayor and City Council

-2-

July 31, 2000

The hillside reconstruction is complete. The Real Estate Assets Department will recommend the disposition of two City-owned residence, either by lease or by sale at public auction.

Respectfully submitted,

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CASEY GWINN
City Attorney

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RC-2000-7